



COLUMBIA RIVER ECONOMIC DEVELOPMENT COUNCIL

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January 4, 2005

Gary M. Jackson

Assistant Administrator for Size Standards

Small Business Administration

409 Third Street, SW.

Washington, DC 20416

RE: ANPRM: Small Business Size Standards;
Businesses Majority-owned by VCC

Dear Mr. Jackson:

The Columbia River Economic Development Council urges the SBA to provide an exclusion from affiliation for venture capital companies (VCCs) in size determinations for eligibility for the SBIR Program. The benefits that VCCs can provide small businesses and the goals of the SBIR program far outweigh any risk to competition for SBIR resources.

While the SBIR program has allowed many companies to further research innovative technologies, SBIR grants are not enough to build a truly successful company that can commercialize new technologies. To fulfill the mission of the SBIR program to commercialize new technology, small businesses must typically raise venture capital. Fortunately, the US leads the world in funding new high technology companies through venture capital. Indeed, the combination of this important federal program and US venture capital represents a profound competitive advantage for US business.

VCCs add much needed governance for our high technology sector. Getting a new product to market is not easy. It requires both innovative technology and a lot of hard work. Today there are many small firms receiving SBIR grants that have never commercialized a single product and simply do not have the requisite corporate governance to drive managers to make continued improvements. The US leads the world in forming new innovative businesses backed by venture capital and ensuring continued participation for venture backed companies in the SBIR program will both benefit the US and fulfill the mission of the SBIR program to commercialize innovative technologies.



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Given the intense competition for SBIR program resources, providing an exclusion of affiliation for VCC supported firms should not noticeably change the direction of SBIR funded research or the overall makeup of participating small businesses.

There may be benefits to the program by including VCC affiliated firms. First, there may be a shift to research programs with higher risk and further distance from commercialization. Risk sharing and potential access to commercialization finance may allow VCC affiliated firms to undertake projects with less developed technology. Second, the rapidity of commercialization may increase due to increased access to financing by VCC firms.

In closing, the CREDC finds that there is a direct benefit to the SBIR program to provide an exclusion from affiliation for venture capital companies (VCC). We urge the SBA to make the exclusion available through the rulemaking process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bart Phillips', with a stylized, cursive script.

Bart Phillips
President

BP/df